evoenergy

Overview for consumers

Regulatory proposal for the ACT electricity distribution network 2024–29

January 2023

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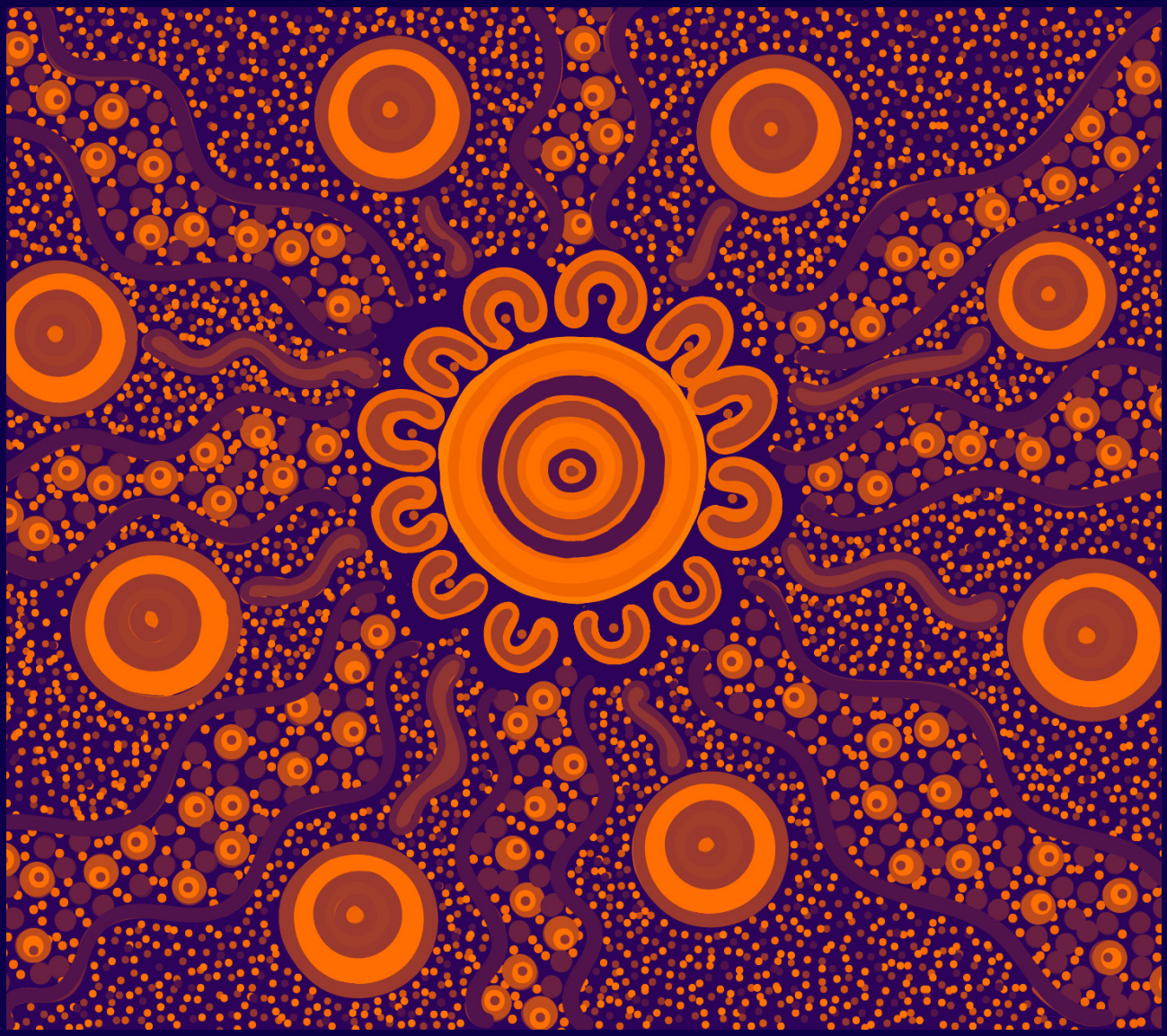
Acknowledgement of Country

Evoenergy acknowledges the Traditional Custodians of the Canberra region, the Ngunnawal people, and pays respect to their Elders past and present. We recognise and celebrate all First Peoples' continuing connections and contributions to the region in which our footprint extends.



Featured artwork

"The Energy of Connection"

By Shaenice Allan

Shaenice Allan is a Ngunnawal, Bundjalung and Kamilaroi artist. She has been painting for 15 years, telling the stories that are told to her. Shaenice's paintings represent and connect to the land of her peoples. These stories are an important part of Shaenice's art. They describe the many stories, the many pathways, and the many lines that connect her to Mother Earth.

Foreword

We are pleased to present Evoenergy's electricity network regulatory proposal for 2024–29.

This proposal was prepared during a time of immense change across the energy sector. The change has been particularly pronounced in the ACT, where a strong push towards electrified modes of transport; a move away from gas, and an increasing number of high voltage customers using more power for major developments, means Evoenergy will be required to distribute more electricity than ever before.

As part of our commitment to the community we serve and in preparing our proposal, Evoenergy conducted broad consultation with customers and community groups. We know the ACT community strongly supports measures to achieve net zero carbon emissions and reduce the impacts of climate change. As such, we understand the need for responsible planning and investment in our electricity network as it continues its evolution to the crucial bi-directional platform necessary to enable the electrification of the ACT.

The work we do in the 2024–29 period is the crucial next step in this twenty-plus year journey we are on. It establishes the foundation for the future electricity network necessary to support the rapidly changing energy needs of the ACT community. It supports a responsible investment path for the energy transition in the ACT, representing a balance between meeting the needs and expectations of the community and the cost of these investments.

Our net zero modelling shows a step increase in investment is required to enable the transformation of our network. While electrification will deliver community-wide benefits, such as improved efficiency and lower overall energy costs, and solar penetration and home batteries will offset growing demand to a degree, peak demand will increase over the regulatory period, driving the need for a significant uplift in capital expenditure (capex). This will not translate to a significant increase in the regulatory asset base, especially on a per customer basis. The increased volumes mean prices will not rise significantly despite the increase in capex, and new tariffs, designed to send price signals for owners of electric vehicles, solar panels and batteries, will play a role to reduce peak demand and maintain stable prices.

As the transition to electrification progresses, customers will use more electricity and will use the network in different ways. Ultimately, demand on the network will continue to be influenced by various factors including policy settings and incentives, consumer behaviour, and developments in technology. In this rapidly changing environment, our challenge is how to prudently shape the investment profile over time, building in capability when and as required to accommodate accelerated change and increased demand.

We know our customers support the energy transition in the ACT and expect Evoenergy to enable a smooth and successful outcome, engaging them along the way. This proposal establishes the foundation for that successful and responsible transition, and aims to strike a balance between network capability and carefully timed investment.

John Knox
Chief Executive Officer

Peter Billing
General Manager Evoenergy

Our electricity network proposal for 2024–29 will take the next step towards a net-zero emissions future

The ACT's net-zero pathway

80-90%
of new vehicle sales will be zero emission vehicles by 2030

Transition away from natural gas by
2045

Our consumers' 5-year plans

31%
intend to purchase an electric vehicle

18%
intend to install solar or a battery

32%
plan on electrifying their gas use

Our electricity network will transition from providing around **one third** to **almost all** of the ACT's energy as we electrify gas and transport.

We will deliver on our community's priorities by investing to maintain reliability and transition the network while playing our role in maintaining energy affordability.

Maintain reliability and improve network resilience but make decisions that balance this with cost

- Invest $15 million to protect against the increasing cyber security threat.
- Maintain the safety and reliability of our network – the fastest growing network in Australia.

Play our role in energy affordability

- Average annual increase of 1.3% after inflation to the network component of electricity bills.
- Average regulatory asset base and capital investment per customer are expected to remain amongst the lowest in Australia.
- Average operating expenditure per customer will continue to be below average.

Actively communicate with and inform the community

- We will rollout technology to allow us to better communicate with customers.

Take action towards achieving a net zero future

- Take the next steps to transform our network to support the provision of almost all energy use in the ACT.
- Invest $162 million to begin to accommodate the doubling of peak demand driven by population growth and the transition to full electrification.
- Innovate by continuing to participate in projects and trials (e.g. community batteries, advanced tariffs, integration of electric vehicles).

Play a key role in enabling small-scale solar, batteries and electric vehicles

- $12 million to better integrate consumer resources through dynamic export limits and improved network visibility – improving our capability to manage two-way flows.

Provide network tariffs that are fit for future users of the network

- Further evolve our tariffs to ensure we send the right price signals to mitigate the increase in peak demand.

1. About our proposal

1. About our proposal

This document provides an overview of our electricity distribution network regulatory proposal for 1 July 2024 to 30 June 2029 (our proposal), which we have submitted to the Australian Energy Regulator (AER) for review.

Our proposal sets out our electricity network plans for the five year period, which will be an important time for the Australian Capital Territory (ACT) transition to net zero emissions by 2045. It explains the role of the electricity network in this transition, how consumer feedback has shaped our planning, and how we have calculated the revenue we require (based on the costs we expect to incur) along with the tariffs we will charge.

About Evoenergy

Evoenergy owns and operates the electricity and gas distribution networks in the ACT. Our electricity network is made up of poles and wires, underground cables, transformers, substations, and other infrastructure we require to transport electricity to and from homes and businesses.

Our role is to deliver safe and reliable energy to Canberra. We undertake electricity network maintenance, connect new customers, plan and construct new infrastructure, and provide emergency response.

We charge energy retailers to transport electricity through our network, and retailers pass on this cost to energy consumers through a quarterly or monthly electricity bill. Our costs make up around a quarter of a typical ACT electricity bill. Evoenergy's role in the electricity market is shown in Figure 1, and our role in the technical delivery of electricity is shown in Figure 2.

Figure 1: Evoenergy in the electricity market

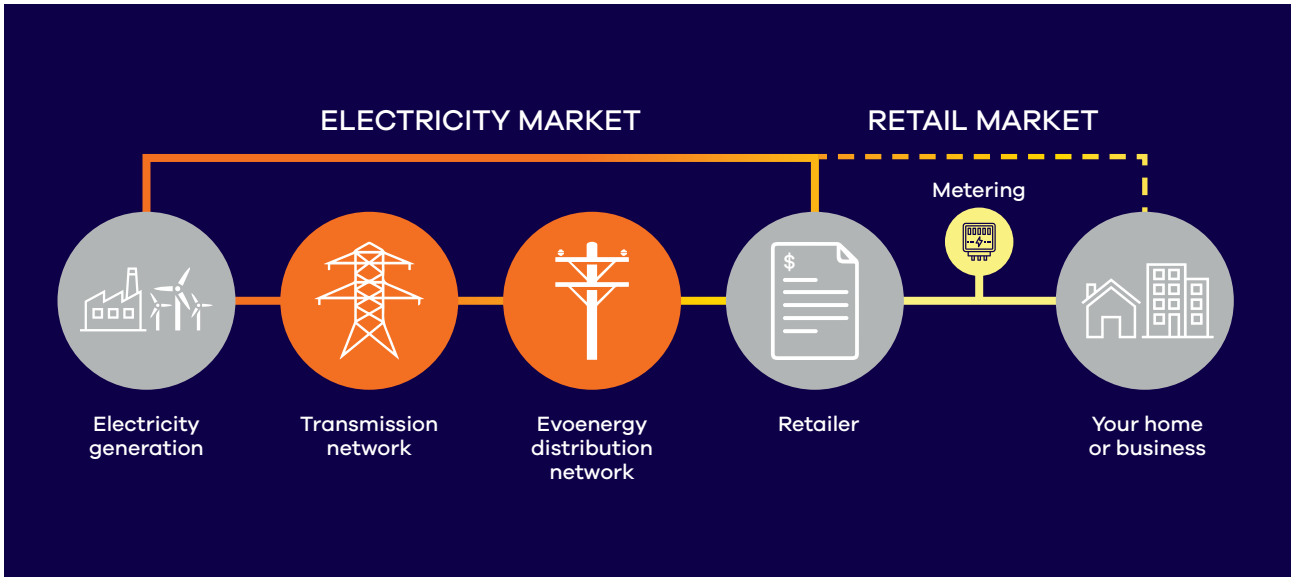
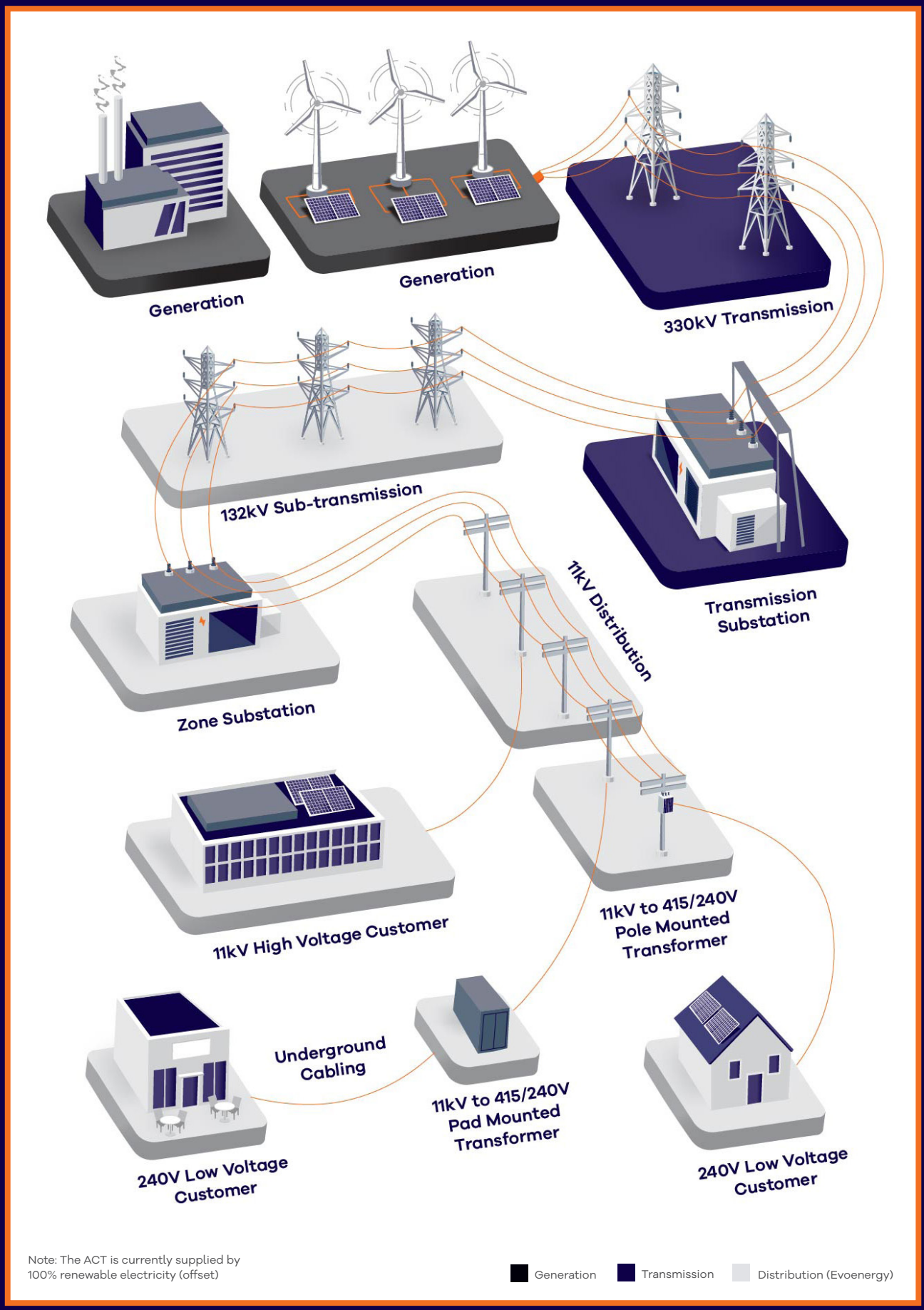


Figure 2: Evoenergy in the electricity delivery chain



2.

Leading the way to a net zero emissions future

2. Leading the way to a net zero emissions future

A network at the forefront of net zero

The ACT is leading the nation's energy transition. The ACT Government has set an ambitious target to achieve net zero emissions by 2045, which requires rapid and extensive action across multiple sectors. Natural gas will be phased out, and transport will be decarbonised, with zero emission vehicles making up 80–90 per cent of new vehicle sales by 2030.

Historically, electricity has only been one part of the energy system in the ACT. Fifteen years ago, almost all ACT households used gas for heating, hot water, cooking, and petrol or diesel to fuel their car. Few households had solar. Evoenergy's role was to connect customers' homes and businesses to one-way flows of electricity generated by large power stations.

These days more than 20 per cent of our energy users have solar panels to generate electricity for their own use or to export back to the grid, and this number is growing. In new areas such as Ginninderry, all households have solar. We are seeing exponential growth in battery storage systems and electric vehicles (EVs). When surveyed, we heard that around 31 per cent of Canberrans intend on purchasing an EV in the next five years. The ACT public transport system is also electrifying with the extension of the light rail network and a shift to electric buses.

Evoenergy's electricity network, already the fastest growing electricity network, is evolving from a system that provides one third of our energy to becoming the crucial platform that underpins almost all energy use in the ACT.

The challenge of our lifetime

The importance and magnitude of this transition cannot be understated. Below are some aspects of the transition we are considering in our planning:

- **Scale** — Evoenergy's electricity network currently provides about a third of the ACT's energy. Facilitating the electrification of gas and transport will substantially increase network demand at a time when we are already seeing significant infill development as Australia's fastest growing electricity network.
- **Function** — We need to continue to overcome technical engineering challenges from the growing number of solar, batteries and EVs connected to the network. To ensure power quality standards are met, the Evoenergy electricity network will need to adapt to be more flexible, innovative and smarter than ever.
- **Criticality** — Reliance on the electricity network is increasing rapidly, and as it does, our dependence on having a reliable and resilient electricity network will also increase. In the future, any electricity outages will affect a range of critical community functions such as transport, heat, hot water, light, and communications. This is a shift from the past, where the gas and transport systems could function independently from the electricity network.
- **Innovation** — Achieving such a rapid and extensive emission reduction in the energy system is unprecedented and requires breaking new ground. No major jurisdiction in the world has completed a full transition to zero emission vehicles, so there is a high-level of uncertainty that requires an adaptive and innovative approach.

With the community, we are rising to the challenge

Modelling in Australia and internationally has found that the electrification of gas and the rise of EVs will increase peak demand on electricity networks — a key driver of network investment.

Our modelling has found that by 2045, the daily peak demand on our electricity network will more than double. This is similar to what the Australian Energy Market Operator forecasts for Victoria, a market similar to the ACT with a large gas heating load.

To manage the increased demand on our network, we will continue to work with the ACT community to identify solutions that could avoid unnecessary investment. We can do this through the following:

- Our EV grid trial, where we are collaborating with EV owners to test dynamically managing charging based on real-time assessment of available network capacity.
- Designing tariffs that will send price signals to encourage off-peak EV charging.
- Our Ginninderry Residential Battery Trial, where we are enabling battery owners to collaborate with Evoenergy to alleviate network congestion.
- Battery tariff trials, such as trialling our residential battery tariff and large-scale battery tariff to explore the potential of tariffs with sharper pricing signals.
- Our Realising Electric Vehicles-to-grid Services project, which is exploring how these services can be part of the future energy system (for instance, through the provision of contingency frequency control services).
- Establishing a test facility at the Australian National University to allow for safe testing of new Demand Energy Resources-based technologies.

These measures will support our transition. However, considerable work remains to reshape our network so we can play our role in achieving net zero emissions and meet the needs and expectations of the community along the way.

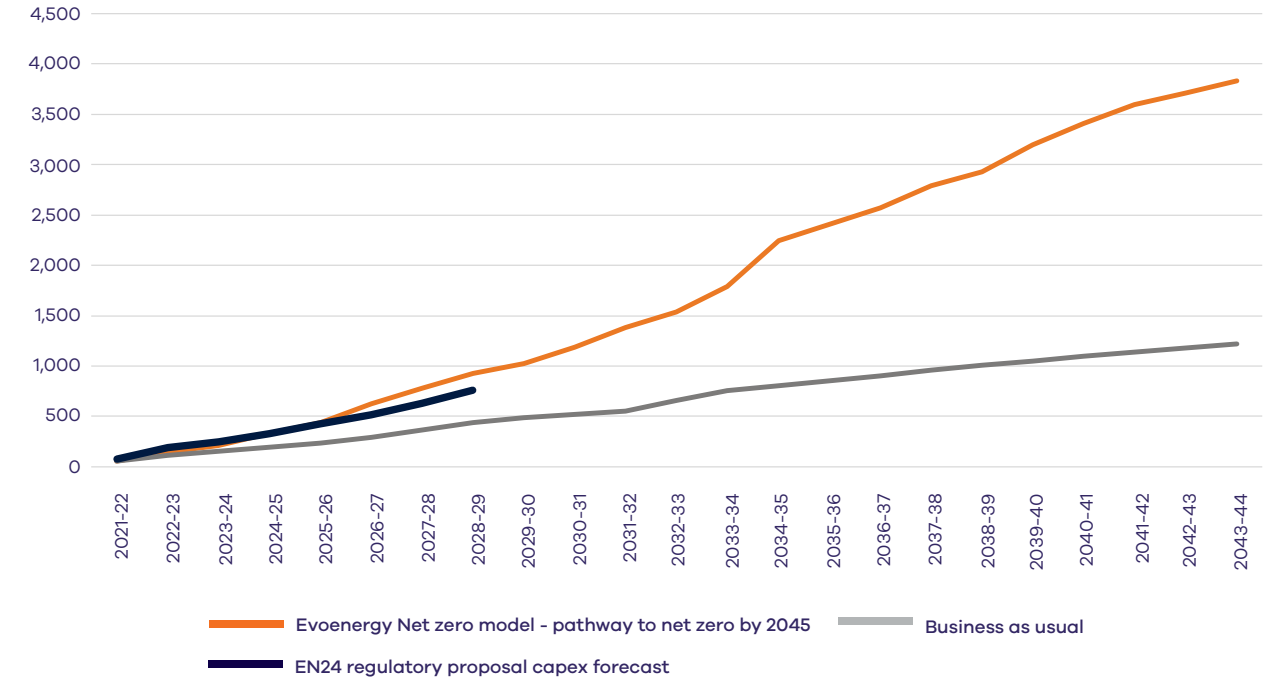
Additional investment is required: it is a question of 'when' not 'if'

Our modelling shows that to achieve net zero emissions by 2045, we will require an additional investment of around $2.6 billion ($2023/24) beyond what we would have needed under a 'business as usual' scenario, as shown in Figure 3. This suggests that to progress toward the target incrementally, we would require around $0.75 billion ($2023/24) of investment in 2024–29.

The ACT Government has adopted an adaptive and dynamic approach to achieving net zero by 2045, which means not all policies are in place just yet. We have prepared our five year plan for 2024–29 based on current policies and consumer uptake. The risk with this approach is that these drivers may change significantly during the period. For instance, if new policies are introduced or consumer uptake of zero emission technology is faster than expected (as it was with solar and has been so far with EVs). This reactive environment means that the investment required over the five year period may be materially higher than what we have included in our proposal.

We look forward to continuing to work with the AER, the community and other key stakeholders on addressing this issue. We are optimistic that we can work together to identify a solution that provides flexibility and appropriate sharing of risk if additional investment is required to meet consumer demand during the regulatory period.

Figure 3: Net zero model forecast capital expenditure to achieve net zero by 2045 ($million, 2023/24)



3. What we have heard from our community

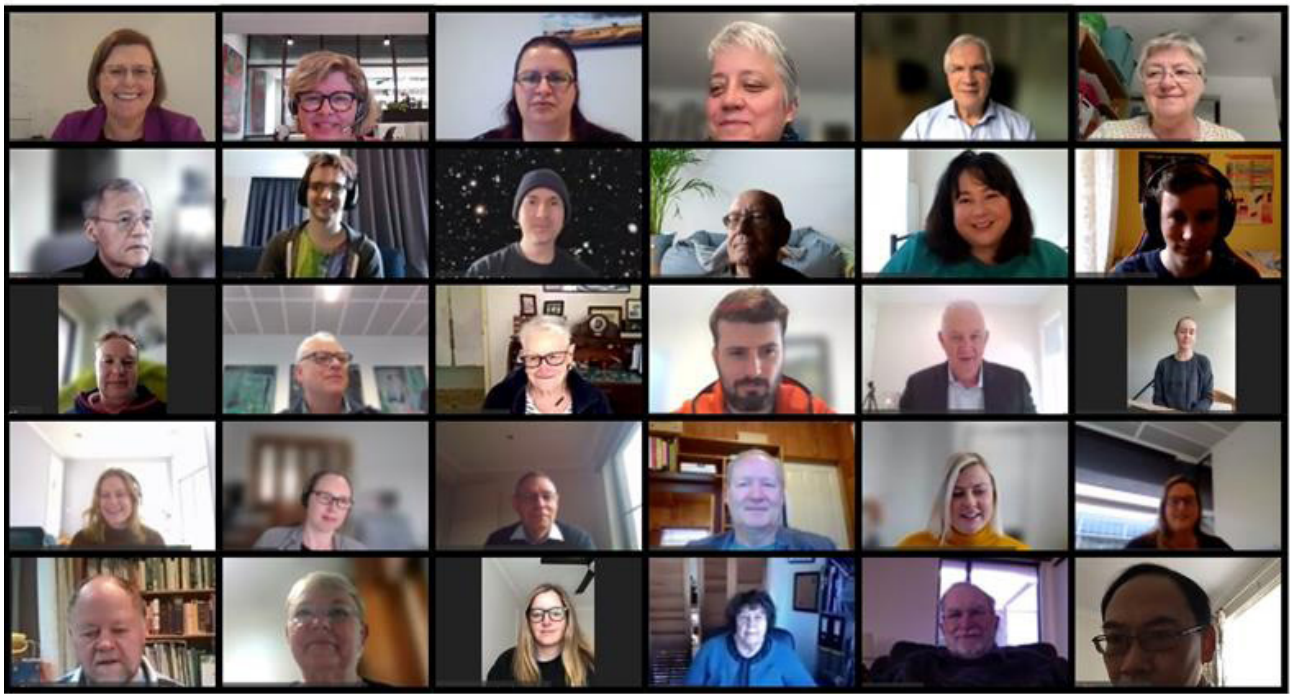
3. What we have heard from our community

Evoenergy has a long-standing commitment to the Canberra community. We strive to operate every day with our consumer interests at heart. For us, engagement is about two-way communication and listening to the community's needs. In preparing our proposal and proposed tariff structure statement for the 2024–29 period, we have made engaging with the community our focus.

We spent time with local energy consumers through various channels to understand their concerns, what they value most, and their priorities and expectations for our services. We also spent time understanding how we prepare for and respond to the future challenges and opportunities facing the community.

We have engaged with consumers through face-to-face workshops, one-on-one meetings, online forums, and surveys, capturing feedback from consumers and consumer advocates, specific consumer groups (including solar customers and vulnerable consumers), the business community, retailers, aggregators, and the ACT Government.

Throughout our engagement program, several key feedback themes emerged. These are outlined below. More information is also provided in our proposal.



Evoenergy's community panel sessions were facilitated online to ensure participants' safety during the Covid-19 pandemic.

Table 1: Addressing consumer priorities and expectations

Priorities and expectations	How we've responded in our proposal
Maintain reliability and improve network resilience but make decisions that balance this with cost	• Our expenditure forecasts are designed to provide the right level of investment and maintenance activities to maintain current reliability levels. • Our capital expenditure program includes investment specifically targeting improved network resilience, which is a key consideration in all our network planning and operations. • Our operating expenditure forecast includes additional expenditure to improve Evoenergy's cyber security and meet its obligations under the *Security of Critical Infrastructure Act (Cth)*. This expenditure will improve the protection to the 'behind the scenes' systems that support network reliability and resilience.
Provide affordable electricity supply services	• Our proposal is expected to keep the ACT's network costs the lowest share of retail electricity bills in the National Energy Market (NEM). Compared to other distributors, we have the third lowest regulatory asset base, second lowest capital expenditure, and below average operating expenditure. These are key contributors to customer affordability over the long term. • Our capital expenditure program aims to strike the right balance between meeting consumer expectations for action towards a net zero future, reliability and affordability. • As a distribution business, Evoenergy has limited opportunity to provide direct support mechanisms for financially vulnerable consumers. However, we will continue to engage with the community to further understand expectations about Evoenergy's role in supporting these consumers. • Our plan seeks to provide cost-reflective network tariffs that provide opportunities for consumers to manage the network component of their electricity bill and ensure network costs are fairly allocated to network users.
Take action towards achieving a net zero future	• While we recognise that some consumers want to see a faster transition to full electrification, our plan reflects the information we have at this time about the expected speed of the transition and the expenditure required to meet the needs of consumers during this period. • Our proposal includes the capital expenditure required to support increased demand as EV uptake accelerates and consumers shift away from gas appliances. • Specific to decarbonising Evoenergy, our plan includes additional investment to start transitioning our vehicle fleet to zero emission vehicles as they come up for replacement.

Priorities and expectations	How we've responded in our proposal
Play a key role in enabling Distributed Energy Resources (DER) such as small-scale solar, batteries and EVs.	• Key to DER enablement is the right technology to provide better network visibility and facilitate two-way electricity flows through access to consumer data. Our operating expenditure forecast includes a step change for DER integration, which will allow us to play a key role in enabling the continued uptake of DER and comply with new regulatory obligations brought about by recent changes to the National Electricity Rules.
Play a bigger role in communicating with and informing the community	• The feedback we have received from consumers on their expectations around how we communicate with them has directly influenced the measures we are proposing, including a new Customer Service Incentive Scheme which will incentivise us to improve our communication capabilities further. • Our capital expenditure and operating expenditure forecasts include expenditure for technology that will allow us to better communicate with consumers and improve our ability to keep consumers informed during outages and through connection application processes.
Provide network tariffs that are fit for future users of the network	• Evoenergy's tariff structure statement will propose tariff reforms designed to address expected changes in network usage profiles, particularly an increased uptake of EVs and batteries. An example of this is the proposed introduction of a 'solar soak' low charge during the middle of the day, designed to encourage the use of electricity to soak up solar exported to the grid. • With the export of electricity (from a customer's premises to the network) increasing, Evoenergy is also proposing introducing export charges and rewards for residential customers. This change will introduce a 'user pays' element, which will improve the equity of network pricing. Evoenergy engaged with the ACT community about export pricing and heard that the community supported Evoenergy's proposed approach to introduce export pricing in a gradual and measured way.

4.
Our plans for 2024–29

4. Our plans for 2024–29

This section sets out key elements of our proposal for the 2024–29 regulatory period. Our proposal reflects the feedback we have received from consumers on the parts of our plans that matter most to them. Importantly, it will ensure Evoenergy can maintain its strong safety, reliability, and affordability performance while navigating a challenging transition period.

Our proposal builds on our performance over the 2019–24 and preceding periods. We are proud that our network costs make up the lowest proportion of electricity bills in the NEM compared to all other networks regulated by the AER. We also have the following:

- the 2nd lowest revenue per customer;
- the 3rd lowest regulatory asset base per customer;
- the 2nd lowest capital expenditure per customer;
- the most advanced residential tariffs in Australia;
- the highest proportion of customers on cost-reflective tariffs; and
- below average operating expenditure per customer.

We have focussed on the needs of the ACT energy system together with the priorities and expectations of our consumers to develop our proposal for 2024–29. As a result, each element of our proposal works as one to bring together consumer and transition focussed plans.

The challenge of the growing peak demand driven by the electrification of gas and transport has driven our demand forecast, which in turn has driven our tariff, operating expenditure and capital expenditure forecasts – and vice versa (for instance, our demand forecast considers responses from tariff price signals).

Other interrelationships include:

- Maintaining our performance through the most efficient mix of operating and capital expenditure.
- Changes to our connection policy and tariff structure statement that will support cost-reflective tariffs and fair-sharing of network growth expenditure.
- Changes to our ancillary service charges will ensure cost recovery, so costs are recovered from those using the services.

Expected demand for our services

Key to our planning is what the demand for the services we provide will be over the regulatory period. These forecasts underpin major elements of our proposal, including augmentation capital expenditure, customer numbers, connection numbers and our tariffs.

With the increased consumer investment in DER, such as small-scale solar, batteries and EVs, and the resulting shift from one-way to two-way energy flows, forecasting demand has become more complex. We now need to identify and forecast demand for supply into the distribution network from multiple sources.

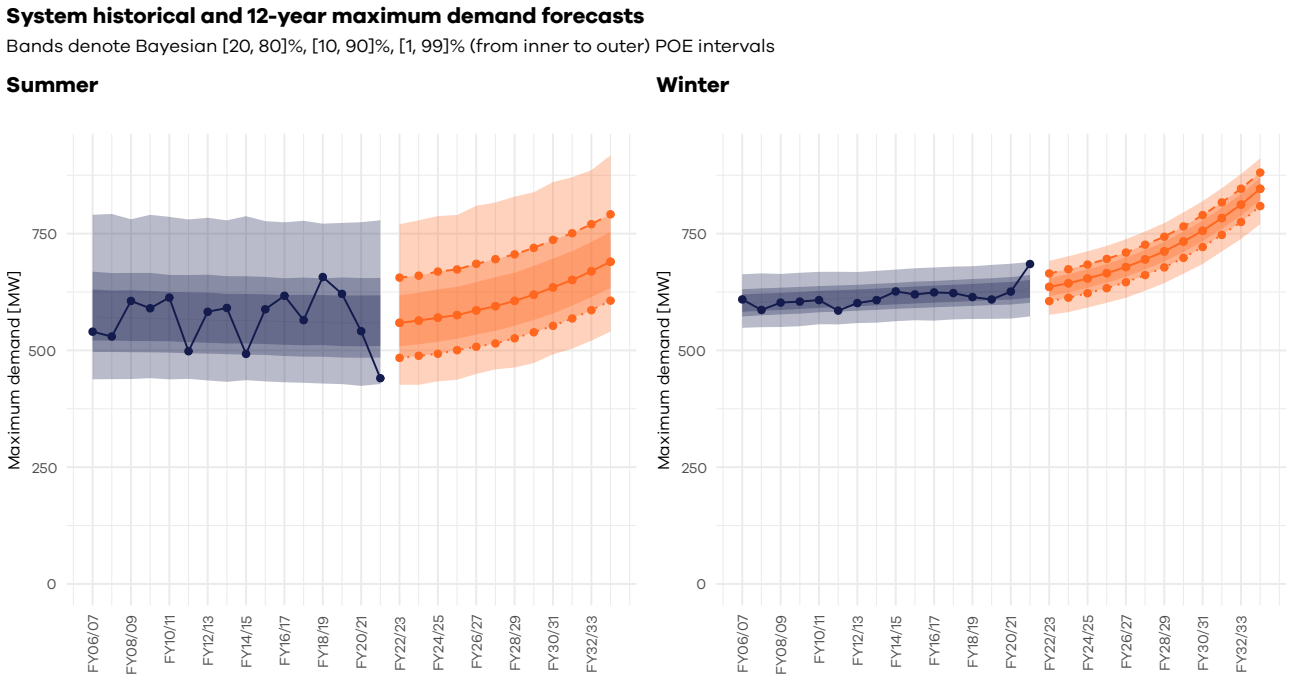
Evoenergy's proposed investment for the 2024–29 regulatory period recognises the significant uptake of solar photovoltaics (PVs) and other DER by consumers. It aims for a long-term, sustainable plan to feed more solar into the grid and reduce solar wastage. Our proposed expenditure in DER related activities enables customers to derive additional value from their assets through market services and network support services accessed through Evoenergy's network. We heard that consumers expect us to play a key role in enabling DER integration. Our DER related expenditure will ensure we can efficiently provide these increasingly requested

services to support more solar, uptake of batteries and EVs. This will support consumers taking more control of their energy use and bills, as well as support the acceleration towards a net zero emissions future.

We have used traditional approaches to data such as historical demand data and demographic, economic and land release data, together with more dynamic data, including forecast assumptions used in our net zero modelling on factors directly impacting network demand (e.g., EV uptake, gas switching), as well as climate change forecast data. This approach aligns with, and incorporates, many common inputs developed as part of the Australian Energy Market Operator's Input Assumptions and Scenarios work. We will continue to consider other data sources and approaches to inform expected demand for our services as our network and the energy market evolve.

As we transition to net zero, we expect a significant increase in the maximum demand on our network over the next decade, particularly in winter. Our maximum demand forecasts out to 2032/33 for both summer and winter are shown in Figure 4 below, which provides different probability of exceedance (POE) bands. For example, a POE of 10 per cent means there is a 10 per cent chance of maximum demand exceeding the forecast level, and a 90 per cent chance of maximum demand not exceeding the forecast level.

Figure 4: Maximum demand in summer and winter



Our proposed capital investment

Our investment over the 2024–29 regulatory period will be foundational in setting up the ACT to transition to a net zero emissions future. Our capital expenditure forecast for the 2024–29 regulatory period is $521 million ($2023/24). It includes additional augmentation investment necessary to meet the energy needs of Canberra as more demand is placed on the electricity network due to ongoing development (the ACT is Australia's fastest growing jurisdiction) along with growth in EVs and customers transitioning off gas. In addition, our program includes more traditional capital expenditure, such as replacing ageing assets (replacement expenditure), and our IT capabilities required to operate the network, buildings, fleet, and capitalised overheads.

The need to invest in our network to facilitate two-way flows and allow customers with small-scale solar, batteries and EVs is growing. Although a minimal investment was required in the current 2019–24 period, we will require $5.5 million over the 2024–29 period to improve distribution network visibility and facilitation of DER.

Evoenergy's capital expenditure program has been developed to deliver on the priorities and expectations of consumers. We heard that they want reliability to be maintained and to ensure Evoenergy's network

supports increased customer DER investment and two-way flows, as well as support the ACT's transition to a net zero emissions future. We also heard that consumers want us to meet these expectations at an efficient cost and to play a role in addressing affordability concerns. In developing its program, Evoenergy balanced these considerations. Most capital expenditure categories are broadly similar in proposed spend to the current regulatory period allowance, except for the augmentation capital expenditure required to grow our network to meet increased demand. Evoenergy's capital expenditure and capital expenditure per customer over time are shown below in Figure 5, which shows a proposed increase over the 2024–29 period.

Figure 5: Capital expenditure over time and per customer ($2023/24)

Our forecast operating costs

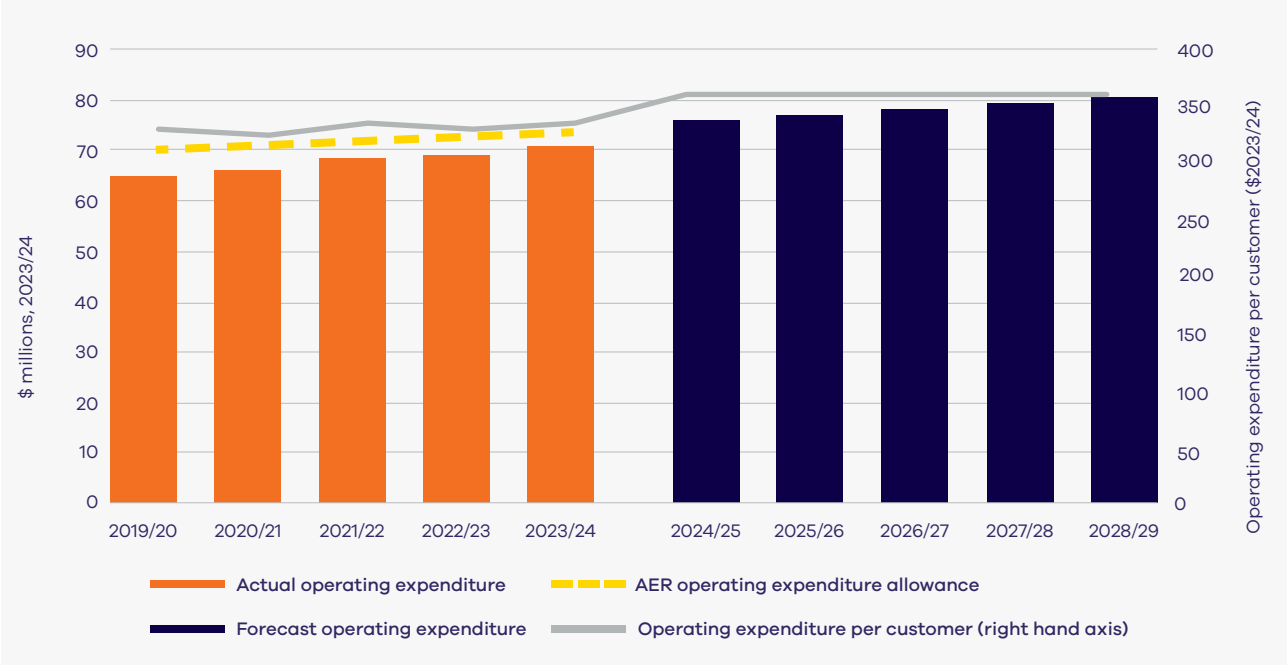
Our operating expenditure for standard control services includes the costs of operating and maintaining our network and non-network assets, responding to emergencies, and providing services to customers like responding to enquiries and providing billing information to retailers. While these costs are typically recurrent in nature, additional expenditure is needed when our regulatory obligations or operating environment changes materially.

Our operating expenditure forecast works together with capital investment to meet consumer expectations around maintaining reliability and customer services at the lowest possible cost. Sometimes trade-offs between operating and capital expenditure occur to ensure this is achieved. For example, sometimes, we can extend the useful life of an asset by performing maintenance on that asset (operating expenditure), whereas other times, it is more efficient to replace the asset (capital expenditure).

We have used the AER's preferred forecast method, the 'base, step, trend' approach to forecasting our operating expenditure forecast for the 2024–29 period. Evoenergy's operating expenditure forecast for the 2024–29 regulatory period is $390 million ($2023/24). This is eight per cent higher than the current period allowance due to the growth in our network, with the number of customers we serve expected to increase by around six per cent over the period, as well as increased cyber and critical infrastructure security requirements, increased insurance costs, and costs associated with additional activities to ensure we meet regulatory obligations and consumer expectations around enabling DER.

Figure 6 below shows Evoenergy's standard control services operating expenditure over time and on a per customer basis. While Evoenergy has spent within the allowance the AER set for us over the 2019–24 period, several cost drivers will increase our operating expenditure over the 2024–29 period. The operating expenditure per customer will remain stable.

Figure 6: Evoenergy's standard control services operating expenditure and operating expenditure per customer over time



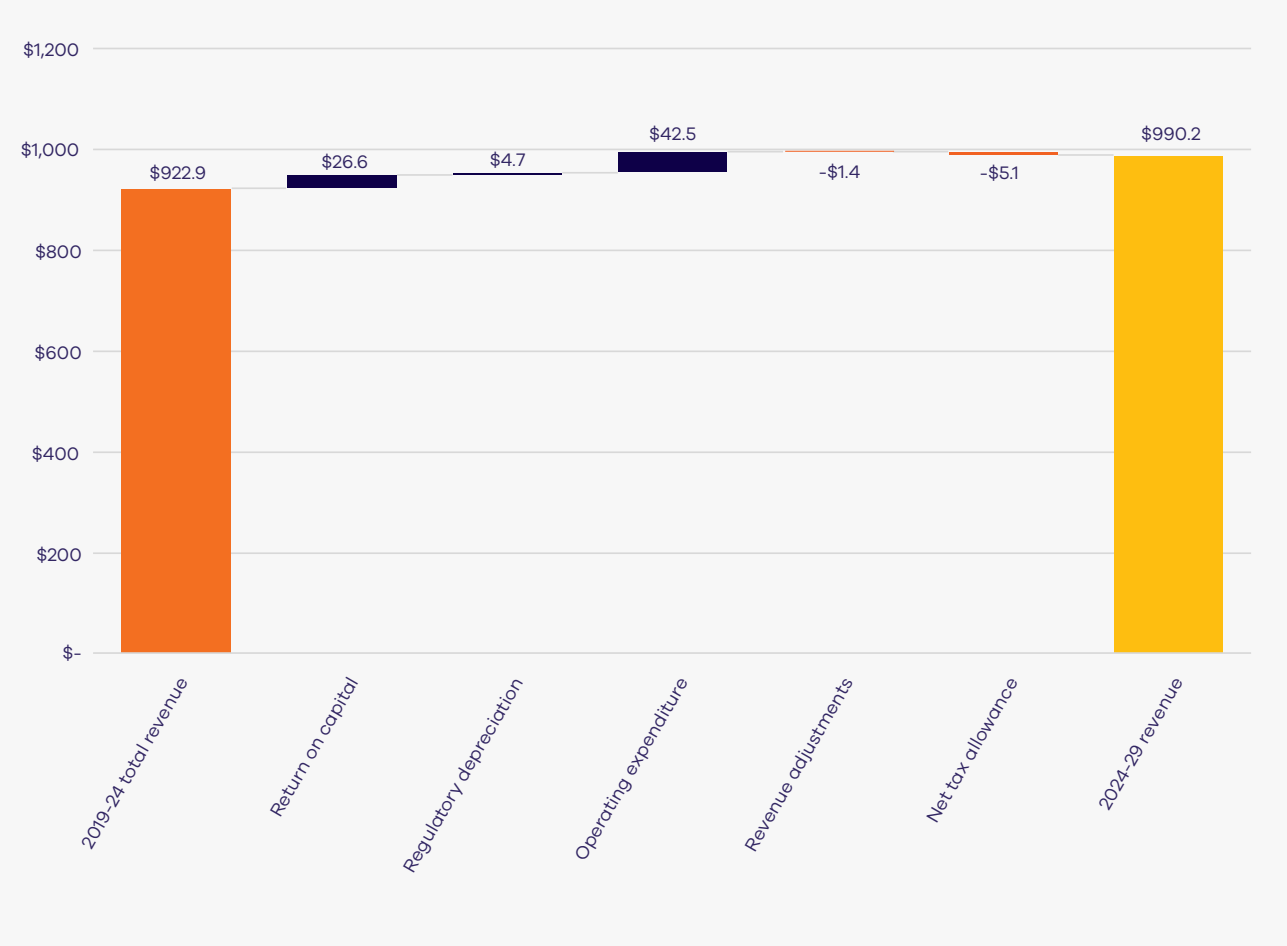
Our revenue requirements for 2024–29

We calculate the revenue we require for the 2024–29 period by adding together the following:

- **The return on capital** — reflects the cost to fund our investments and is made up of interest costs along with a benchmark return to shareholders.
- **Regulatory depreciation (or return on capital)** – the recovery of past investments we have made (we recover our costs over an asset's useful life rather than upfront when the costs are incurred).
- **Operating expenditure** — the day-to-day costs of running our network (such as maintenance activities).
- **Revenue adjustments** — for instance, for penalties or rewards from implementation incentive schemes.
- **A net tax allowance** — to cover our corporate income tax liabilities.

The total revenue we require for the 2024–29 regulatory period is $990.2 million. This is 7.3 per cent higher than the total revenue requirement in the current period. Figure 7 shows the increase in the return on capital (and rate of return) together with higher operating expenditure. This is being offset by revenue adjustments resulting from incentive schemes and a small fall in regulatory depreciation. To put this in context, over the 2019–24 regulatory period, customer numbers will have grown by around 6.8 per cent, and we are expecting similar growth for the 2024–29 period, along with growth in peak demand.

Figure 7: Comparison of total revenue requirement 2019–24 to 2024–29 ($million, 2023/24)



Note: Numbers may not sum due to rounding.

Network bill impacts

Once we calculate our revenue requirement for the 2024–29 period, we smooth our revenue across years to minimise the impact of year-to-year prices. Annual revenue is then divided by forecast demand to determine our network charges.

The network component of bills will increase by about 1.3 per cent on average through the 2024–29 period in real terms (i.e., excluding the impacts of inflation). This is about $7 a year for residential customers and $43 a year for commercial customers, excluding the impacts of inflation. Table 2 sets out the indicative bill impacts once a placeholder forecast of inflation of 2.85 per cent per year is included (referred to as a 'nominal' basis).

Table 2: Indicative network bill impacts ($nominal)

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Indicative network charges – residential customer	579	656	663	679	694	709
Annual change $		77	7	16	15	15
Annual change %		13.3%	1.0%	2.4%	2.2%	2.2%
Indicative network charges – low voltage commercial customer	3,370	3,818	3,857	3,948	4,035	4,125
Annual change $		449	39	91	86	90
Annual change %		13.3%	1.0%	2.4%	2.2%	2.2%

Our proposed tariffs

To support advances in renewable technology, a society-wide focus on reducing emissions, and an increasing emphasis on energy independence, Evoenergy is proposing changes to ACT network electricity tariffs to progress cost-reflective network tariff reform in the ACT.

In preparation for the proposed 2024–29 tariff structure statement, Evoenergy considered the expected future use of the ACT electricity network and consulted widely with the ACT community, retailers, aggregators and the ACT Government about their preferences regarding network tariffs.

Residential tariff reform

Residential tariff reform is the focus of the 2024–29 tariff structure statement, with proposed changes to the residential demand and time-of-use (TOU) tariffs. These reforms incorporate lessons learned from the residential battery tariff trialled during the 2019–24 regulatory period. These include introducing a relatively low 'solar soak' network charge during the middle of the day, designed to incentivise electricity use to soak up solar that is exported to the electricity network. The reforms also include new charges to signal that high demand (e.g., EV fast recharging) could lead to new peak demands on the network that impose higher costs due to required network upgrades.

Commercial tariff reforms

Since Evoenergy's low voltage (LV) and high voltage (HV) commercial tariffs are highly cost reflective following reforms during 2019–24, with most tariffs including TOU consumption charges, peak demand charges, and (in some cases) capacity charges, Evoenergy is proposing relatively minor amendments to the commercial tariff structure in the 2024–29 regulatory period.

The commercial tariff reforms proposed for the 2024–29 period continue refining the cost reflectiveness of ACT network tariffs and include structural changes to the Streetlighting and Small unmetered tariffs.

In anticipation of stand-alone, grid-scale batteries, including community batteries coming online, Evoenergy is proposing introducing a new tariff designed for large-scale batteries that connect to the ACT distribution LV or HV network. This tariff structure has been trialled during the current (2019-24) regulatory period.

Evoenergy proposes to trial a tariff designed for public EV charging stations in the 2024–29 regulatory period. The tariff structure to be trialled will be finalised closer to the time of the proposed trial commencement on 1 July 2025.

Export tariffs

In recent years, the imbalance between the supply and demand of electricity has been widening. This typically arises in residential areas in the middle of the day when electricity demand is relatively low, and exports from rooftop solar PV are high. As the imbalance continues to grow, additional investment will be required to manage voltage fluctuations on the network.

In response to this challenge for electricity networks, the Australian Energy Market Commission made changes to the NER that aim to integrate DER more efficiently into the network. We have proposed the introduction of export price signals that are summarised in Table 3 below.

We propose to introduce export pricing in a measured and gradual manner. This is reflected in Evoenergy's proposed export tariff structures, tariff levels, and assignment policy. This approach is in response to feedback gathered from stakeholders during tariff structure statement engagement and reflecting network requirements. While Evoenergy's network currently has the capacity to host exports, the network will require upgrades in the future as exports to the network continue to increase in line with the take-up of solar PV and home batteries.

The tariff reforms we propose have been informed by extensive consumer engagement and learnings from tariff trails carried out in the 2019–24 regulatory period. The proposed reforms are set out in Table 3.

Table 3: Summary of proposed tariff reforms

Tariff category	Tariff reforms proposed for 2024–29
Residential tariff reforms	Residential demand tariff: • Introduce a relatively low solar soak energy charge between 11am and 3pm AEST. • Introduce an off-peak demand charge between 8pm and 9am AEST. • Set a lower peak demand price outside of winter months (June, July and August). Residential TOU tariff: • Introduce a solar soak period between 11am and 3pm AEST. • Remove the morning peak period between 7am and 9am AEST. • Remove the shoulder periods between 9am and 5pm and between 8pm and 10pm. • Extend the off-peak period to between 8pm and 11am, and between 3pm and 5pm. • Introduce an inclining block structure to the off-peak period between 8pm and 9am.
Commercial tariff reforms	Tariff with capacity charges: • Provision to review capacity charges under extenuating circumstances, as negotiated between Evoenergy and individual consumers. Streetlight tariff; Small unmetered loads tariff: • Remove fixed charge; only apply energy consumption charge. New proposed tariff: • Designed for stand-alone, distribution-connected, large-scale batteries. EV public charging stations: • Tariff trial during the 2024–29 regulatory period.
Proposed export tariffs	Residential export tariff (secondary tariff): • Export reward (in cents per kWh) for all exports during the evening peak period (5pm–8pm AEST). • Export charge (in cents per kWh) on exports during the solar soak period (11am–3pm AEST) above the basic export level (5 kW). • This secondary tariff will apply alongside the residential customer's (primary) demand or TOU tariff, as residential customers on the export tariff will need to install a smart meter. • Residential customers with existing export capacity can opt-in. Residential customers who install new export capacity from 1 July 2025 will default to the export tariff without an opt-out provision. Large-scale battery tariff: • Peak demand charging windows depend on the battery location within Evoenergy's network. • Different price levels are set according to LV or HV connection. • Tariff components include a capacity charge, peak demand charge, net consumption charge, and critical peak rewards and charges. • Eligibility for a reimbursement of avoided transmission costs and/or subject to a payment of incurred transmission costs (settled externally to the tariff structure).

5. Key risks and benefits for consumers

5. Key risks and benefits for consumers

Our regulatory proposal and tariff structure statement have been guided by what we heard from consumers about their priorities and expectations. Table 4 sets out the benefits and risks of our proposal against these priorities and expectations.

Table 4: Consumer benefits and risk of our proposal and tariff structure statement

Consumer priorities and expectations	Consumer benefits	Consumer risks
Maintain reliability and improve network resilience but make decisions that balance this with cost	• Continue to maintain current levels of safety and reliability. • Meet the growing needs of the ACT energy system – both in terms of peak demand and customer numbers. • In an environment of increasing threats, take steps to maintain cyber and physical security through our *Security of Critical Infrastructure Act 2018* step change.	• Reliability is at risk if the pace of the transition accelerates beyond our forecasts and expenditure allowances are not sufficient. • There remains some residual risk to the security and reliability of our electricity network due to the increase in the number and changing nature of cyber attacks.
Play our role in energy affordability	• Maintain the following key indicators contributing to customer affordability: – ACT's network costs the lowest share of retail electricity bills in the NEM. – regulatory asset base per customer amongst the lowest. – average operating expenditure and capital expenditure per customer well below average.	• A regulatory outcome primarily focussed on affordability will not meet consumer expectations with respect to reliability and taking action to achieve a net zero emissions future. For instance, setting expenditure on historical trends and not recognising our electricity network's changing and growing role.
Take action towards achieving a net zero emissions future.	• Meet consumer expectations to facilitate a net zero emissions future. • Support increased peak demand as consumers shift away from gas appliances and move to EVs.	• If electrification accelerates at a more rapid pace (e.g., due to changing policy settings), additional investment will be required to accommodate increasing peak demand. • A funding constrained program could lead to insufficient capacity on the network and delays to either customers connecting or restrictions on customers electrifying.

Consumer priorities and expectations	Consumer benefits	Consumer risks
Play a key role in enabling DER such as small-scale solar, batteries and EVs	• Enable customer DER by providing better network visibility through access to consumer data.	• The rate of the smart meter roll-out and access to data could limit Evoenergy's ability to fully enable DER.
Actively communicate with and inform the community.	• Provide customers with more accurate and timely information on power outages by continuing to invest in our IT systems. • Introduce a Customer Service Incentive Scheme to support customer service improvements.	• As a small distribution network, the cost of implementing systems to achieve timely communications may limit our ability to meet consumer expectations.
Provide network tariffs that are fit for future users of the network	• Tariffs that address expected changes in the use of the network send signals to reduce demand at peak times and fairly share the associated costs.	• The network price signals our tariffs send depend on whether retailers pass through those price signals to end customers.

6.
How you can get involved

6. How you can get involved

We have now submitted our proposal to the AER, but we want to continue the conversation with you on our plans.

- There are a number of ways you can get involved: Contact us directly at consumerfeedback@evoenergy.com.au with feedback, or to be added to our register for future engagement activities.
- The AER will invite submissions on our proposal. Details on this process will be available on the AER's website at www.aer.gov.au or by contacting us.
- You can get in touch with our Energy Consumer Reference Council (ECRC) representatives to bring your interests and views to the table through this forum. A list of ECRC representatives can be found on our website here.

If you want more information on anything covered in this document, you can view our full regulatory proposal on the AER's website at www.aer.gov.au.

The AER will make a draft decision on our plan in September 2023. We will then have an opportunity to respond through a revised proposal. Your feedback will help shape this response before the AER makes a final decision in April 2024.

Table 5: Regulatory review timeline

Date	Activity
October 2021–August 2022	• Develop Draft EN24 plan • Consultation to inform Draft EN24 plan development
August–November 2022	• Finalise proposal development • Consultation on the Draft EN24 plan and further targeted engagement
31 January 2023	• Evoenergy submits a proposal to the AER
April 2023*	• AER holds a public forum
March–May 2023	• AER invites stakeholder submissions on the proposal
September 2023* **September–December 2023**	• AER publishes draft decision • AER invites stakeholder submissions on the draft decision
December 2023*	• Evoenergy submits revised proposal to the AER
30 April 2024	• AER publishes the final decision
1 July 2024	• New regulatory period begins

*indicative timing


evoenergy